

A  
POSITION  
STATEMENT  
FOR  
THE

NEW

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MILLENNIUM

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Consistent with a program's mission and continued satisfaction of market demands for its graduates, the accounting academic community should move away from the current environment, focused on in-depth technical knowledge, to an environment that focuses on teaching general accounting technical knowledge and concepts, information systems, and knowledge, skills, and abilities (KSAs) at the undergraduate (four-year) level, with accounting specialization occurring thereafter.

THE PRACTICE of what traditionally has been known as accounting is rapidly changing, while the functions that accountants perform are expanding even more quickly. This is not a new phenomenon, although the pace of change is accelerating.

Given this changing environment, the knowledge, skills, and abilities (KSAs) necessary for students to be successful also have changed. These “new” KSAs have been identified, their implications studied, and responses proposed as shown below:

#### RESPONSES TO THE NEW KSAs

AECC. The Accounting Education Change Commission provided guidelines as to how accounting education could be enhanced through KSAs. In particular, a “Composite Profile of Capabilities Needed by Accounting Graduates” identified the following:

1. General knowledge,
2. Intellectual skills,
3. Interpersonal skills,
4. Communication skills,
5. Organizational and business knowledge,
6. Accounting knowledge,
7. Accounting skills, and
8. Personal capacities and attitudes (Position Statement Number One, September 1990).

The results of the AECC initiatives were made possible due to financial support from the then Big 8 (now Big 5) public accounting firms. Competitive grants were given to colleges and universities to make significant changes in their accounting programs.

IMA/FEI. “What Corporate America Wants in Entry-Level Accountants,” a 1995 joint research project by the IMA and Financial Executives Institute (FEI), identified the following KSAs as significant to corporations:

1. Budgeting,
2. Product costing,
3. Asset management,
4. Consolidated statements,
5. Working capital management,
6. Strategic cost management,
7. Control and performance evaluation, and
8. Information system design.

IMA. A follow-up study by the IMA, *The Practice Analysis of Management Accounting* (1995), identified six significant KSAs based on “importance to work” and “entry-level competence”:

1. Work ethic,
2. Listening skills,
3. Use of computerized worksheets,
4. Analytical/problem-solving skills,
5. Relationship between balance sheet, income statement, and cash flow statement, and
6. Interpersonal skills.

A 1999 Practice Analysis update, *Counting More, Counting Less—Transformations in the Management Accounting Profession*, has identified the following work activities that are expected to consume more time in three years:

1. Long-term strategic planning,
2. Internal consulting,
3. Computer systems and operations, and
4. Process improvement.

The study also identified the most important KSAs acquired over the past five years:

1. Computer skills/technology/networks,
2. Accounting software,
3. Teaching (mentoring)/speaking/communication, and
4. Project management/leadership.

Finally, the study listed the work activities expected to be most critical to success in three years:

1. Long-term strategic planning,
2. Financial and economic analyses,
3. Customer and product profitability,
4. Computer systems and operations, and
5. Process improvement.

FEI. Published by the Financial Education Research Foundation (FERF), *Changing Roles of Financial Management: Getting Close to the Business* (Keating and Jablonsky, 1990) explored the finance function in several leading-edge firms (Ford, Merck, Citicorp, 3M, AT&T, and Boeing). The study included information and recommendations on needed educational changes. In particular, the authors state, “The predominant characteristic of undergraduate and graduate accounting programs is the conformance orientation. It concerns itself mainly with technical compliance with external rules and regulations” (p. 56).

In a section called “Speculating About a Different Curriculum,” the authors provide recommendations to modify the accounting curriculum with the goal of developing a future financial professional capable of easily becoming a competitive team player.

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1. Just as firms are facing up to the dysfunctional character of organizational chimneys, educators must face up to the problems caused by disciplinary chimneys.
2. Substantive topics would be taught from a business perspective instead of a disciplinary perspective.
3. Since getting close to the business requires more exposure to actual business practices and problems, firms adopting the competitive-team orientation would have to recognize their responsibility for supporting students and faculty..." (p. 65).

NAB. The National Alliance for Business recently identified the "New Basics for Business." The following basic business skills serve as starting points for a dialogue between higher education and business:

1. Customer focus,
2. Global perspective,
3. Ethics,
4. Continuous learning,
5. Communication skills,
6. Adaptability,
7. Deadlines and budgets,
8. Teamwork, and
9. Cross-functionality (*Work America*, January 1999, p. 4).

B-HEF. The Business-Higher Education Forum conducted a study called *Spanning the Chasm: Corporate and Academic Cooperation to Improve Work-Force Preparation* (January 1997). In the study, business leaders identified deficiencies of recent graduates in the following areas:

1. Communication skills,
2. The ability to work in teams,
3. Flexibility,
4. The ability to accept ambiguity comfortably,
5. The ability to work with people from diverse backgrounds,
6. Understanding of globalization and its implications, and
7. Adequate ethics training (p. 5).

#### RESPONSES FROM PROFESSIONAL ORGANIZATIONS

Professional organizations do not have the expertise nor do they want to be involved in the development of specific curricula for many different programs or schools. However, professional organizations have a legitimate interest in ensuring that the candidate pool—student graduates—for entry into the profession is as prepared as it can be for the eclectic, diverse, ever-

changing environment in which future business professionals will work. Accordingly, professional organizations have identified issues and responded to this changing environment in various ways.

■ The American Assembly of Collegiate Schools of Business (AACSB) completed *A Report of the AACSB Faculty Leadership Task Force* (1996). The report stated, "Although school and faculty competencies have advanced, the gap between practice and academic research and teaching has widened. The lack of business interaction [and] changing technologies ... [has] inhibited faculty initiative for change that is necessary to keep pace with a rapidly changing environment" (p. 4). The report also identified five strategies to facilitate change and close the gap:

1. Develop closer links to business and technology,
2. Improve faculty skill levels,
3. Improve pedagogy and the learning environment,
4. Revise Ph.D. program requirements, and
5. Form partnerships with professional and discipline-based organizations.

■ The AICPA has identified a top-five set of core competencies to guide its members into the next millennium:

1. Communication and leadership skills;
2. Strategic and critical-thinking skills;
3. Focus on the customer, client, and market;
4. Interpretation of converging information; and
5. Technologically adept (*Focus on the Horizon: CPA Vision Project*, 1998, pp. 11, 17-19).

■ The AICPA has developed a Center for Excellence in Financial Management (CEFM). The purpose of the CEFM is to create value for its members as follows: "CEFM's comprehensive approach to the New Finance introduces you to hard-core management accounting topics like cost management (ABC, target costing, etc.), cash flows, discount rates, and capacity management; manufacturing issues like just-in-time production, distribution channels management, and competitive intelligence; and softer topics like benchmarking, performance measurement, cross-functional teams, and managing change."

■ After completing a series of focus groups and meetings, IMA members and leadership identified six critical issues and goals that will guide the IMA into the 21st Century:

1. Adapt to change,
2. Broaden skill sets,

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because of the **frustration**  
of businesses with the quality and  
content of post-secondary  
education on the one hand, and the need  
for life-long learning on the other.”

3. Customer and future markets,
4. Alliances and partnerships,
5. Students, and
6. Global challenges.

■ The IMA has developed a new examination, Certified in Financial Management (CFM), that assesses a candidate's abilities in the areas of:

1. Use of financial statements,
2. Advanced topics in corporate financial management,
3. Risk management,
4. External financial environment, and
5. Accounting standard-setting environment.

The IMA has entered into an alliance with the Financial Management Association (FMA) to further the objectives of identifying and certifying expertise in business areas that are critical to the decision-making process.

■ The IMA has developed online, real-time CMA and CFM examinations to facilitate candidates' use of information systems. The computer-based examinations are offered throughout the United States as well as internationally.

■ The AAA (*The Future Viability of Accounting Education: Report of the Changing Environment Committee*, July 1998)

states: “All facets of the ‘market’ for post-secondary education in business and accounting are changing: employers, delivers, information technology, students, faculty, and curriculum content and delivery methods. Employers are undergoing fundamental changes in organizational structures, definitions of core competencies (e.g., learning as a core competency), uses of information technology, and globalization of business activities, all of which combine to dramatically alter the demand for accountants in public practice, business, and government” (p. 2).

The AAA Report provides the following recommendations for members' institutions: (1) adopt a customer focus; (2) gain an understanding of the market; (3) develop a strategic focus for accounting program(s); (4) put in place a timely, continuous process of curricula development; (5) invest in faculty development; (6) modify faculty reward system; and (7) create partnerships/alliances with key corporate employers (pp. 3-4).

#### RESPONSES FROM ACADEMIC INSTITUTIONS

Leading-edge accounting programs have initiated changes by significantly increasing the amount of information systems coverage in classes, increasing the use of group dynamics, and increasing their focus on students' KSAs. These programs have incorporated a sig-

NOTE: The programs and information in Sections 1 and 2 are presented to exemplify current types of changes and results of changes. Other schools are making program changes of the type identified in this statement. Their exclusion is not meant to impugn their quality or lessen the value of their programs' contribution to students or the profession.

## SECTION 1

■ **The University of Washington** (1998) developed an undergraduate curriculum that was implemented in the fall quarter of 1998. "The new undergraduate program focuses on providing a broad base of accounting knowledge and skills as preparation for careers in industry or government or as a foundation for further study for those pursuing a CPA. Therefore, it is very different from what past graduates experienced. Less attention is given to financial reporting and public-accounting-oriented topics, and more time is spent on developing a sound knowledge of accounting systems and how they relate to the larger organization" (*University of Washington Accounting*, Spring 1998, pp. 1, 3).

The new undergraduate accounting curriculum includes the following:

- Introduction to Financial Accounting (5 credits)
- Introduction to Management Accounting (5 credits)
- Intermediate Accounting I and II (3 credits each)
- Cost Accounting (3 credits)
- Accounting Information Systems (3 credits)
- Database Management and Telecommunications for Accountants (3 credits)
- Tax Effects of Business Decisions (3 credits)
- Financial Management for Accountants (3 credits)
- Strategic Overview of Accounting (3 credits)

■ **Texas A&M University** has responded to market demands to educate the new type of professional to compete in today's ever-changing business environment by developing "... the Professional Program in Accounting, Financial Management, and Information Systems, a competitive and challenging five-year curriculum that combines a strong accounting education with the development of both broad personal skills and knowledge of business" ("Professional Program," Texas A&M University, p. 1).

■ **Brigham Young University and Arizona State University** (ASU) have taken a market-driven approach and combined their Accounting and Information Systems Departments into one program.

ASU combined the two departments in December 1995 into the School of Accountancy and Information Systems. "This move allowed the School to efficiently leverage the expertise of the computer information systems (CIS) faculty to aid in achieving the mission statement's objective of developing information technology in our students. Since the move, a sequence of upper-division systems courses has been added to the required program of study for accounting majors...

"An unanticipated positive outcome of our curriculum revi-

sions has been a surge in interest in the accounting and CIS majors. The average GPA of students admitted to the program has climbed from approximately 3.1 to 3.5 on a 4-point scale in the latest admission period, and we are consistently denying students whose GPAs would have been near the median in 1991.

"Relatedly, our graduate programs will continue to expand. Students are economic agents, and ... we expect them to impound data on starting salaries and adjust their objectives ... For the May 1998 graduating class, self-reporting data on starting salaries (including signing bonuses) follows:

B.S., Accountancy	\$37,000
B.S., CIS	\$38,500
Masters in Taxation	\$40,542
Masters in Accountancy	\$57,214
M.S. in Information Systems (MSIM)	\$58,844
MBA/MSIM dual	\$72,210"

("Overview of Recent Changes," The School of Accountancy and Information Management, Arizona State University, Phil Regier, July 17, 1998)

## SECTION 2

Nelson et al. (1998) stated, "Three independent factors are simultaneously motivating changes in accounting education: the 150-hour educational requirement, the 'accounting education change' movement, and changes in accreditation standards. These three catalysts combine to provide a unique window of opportunity for change. ... models presented by Hofer and Schendel (1978) and Porter (1985) ... suggest a planning process involving ten sequential steps to enhance the likelihood of making change with a purpose. The steps are:

1. Study your potential markets.
2. Evaluate your raw materials.
3. Evaluate your resources.
4. Study your competition.
5. Develop your strategy (select your niche).
6. State your mission.
7. Design your product.
8. Design your production process.
9. Implement change.
10. Monitor outcomes.

The process outlined can cause discomfort but also holds great promise. Accounting faculty should honestly and openly talk about some very difficult issues. ... There may be tremendous opportunities for exploitation of previously ignored market segments with new 'products.'" (*Issues in Accounting Education*, Vol. 13, No. 2, May 1998, pp. 301-326).

nificant amount of cross-discipline impact into their accounting programs. A few programs have combined accounting and information systems departments, resulting in a stronger product—graduates—who are in greater demand. Several examples of programs reflecting these changes can be found in Section 1 of the sidebar on the previous page.

While some academic institutions have responded to a changing environment, other programs have been slow to change for many reasons, including:

1. Resource availability,
2. Pressures for output measures (assessment) tied to CPA exam pass rates,
3. A general resistance to change, and
4. A lack of understanding of comparative marketplace dynamics.

Guidance is available for institutions seeking to change their programs to meet changing marketplace expectations. See Section 2 for an example.

#### RESPONSES FROM INDUSTRY

Industry's response to academia's inability to keep pace with marketplace dynamics has been to develop the corporate university. A revealing statement appears in *Corporate Universities: Lessons in Building a World-Class Workforce* (J. Meister, 1998). "Corporate universities are essentially the 'in-house' training and education facilities that have sprung up because of the frustration of businesses with the quality and content of post-secondary education on the one hand, and the need for life-long learning on the other" (p. 12).

Meister discusses z-shaped hybrid skills that "...encompass deep expertise in one discipline along with enough breadth to see connections with other disciplines" (p. 17). Research has led Meister to conclude that corporate universities promote employee development in:

- Corporate citizenship: values, culture, history, and tradition;
- Contextual framework: customers, suppliers, competitors, industry trends, business strategies, and best practices;
- Core workplace competencies: learning to learn, technological literacy, career self-management, communications/collaboration, global business literacy, creative thinking/problem solving, and leadership development (p. 90).

#### PROPOSED POSITION STATEMENT

Action. The profession will increasingly seek students from programs and schools that reflect general account-

ing knowledge and concepts, information systems capabilities, and KSAs necessary for success. This evolution, in concert with the ever-changing professional environment, leads to the following:

Position statement. The accounting academic community should move away from the traditional environment of technical accounting, with a focus on rules and regulations, toward an environment based on general accounting technical knowledge, an increased integration of information systems knowledge and capabilities, and the development of a strong student KSA portfolio. The in-depth, limited-breadth accounting specialization areas would receive the focus of accounting education beyond the four-year baccalaureate degree. This position statement includes the following benefits:

- Students are better prepared and able to make a seamless entry into the business environment.
- The profession acquires an entry-level student (product) better able to make an immediate contribution to the firm.
- Educators gain a strong sense of professional pride and accomplishment in the knowledge they have done all they can to prepare students to be successful in an ever-changing business environment.

Acceptance of this statement by accounting programs, with appropriate curriculum changes, will result in an enhanced educational environment with a better fit for current and future business expectations. Simultaneously, it will allow schools to focus on learning skills, not specific content, at the undergraduate level and to specialize in the fifth year in those accounting education areas where they have a comparative marketplace advantage.

It is beneficial to the profession when leading-edge accounting/financial education programs continue to share their change initiatives with the academic and practitioner communities. Also, specific responses by programs to this proposal will be included in future discussions on this topic. ■

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